

Housing Research and Updates

Montana Modernization and Risk Analysis Committee
August 1, 2023

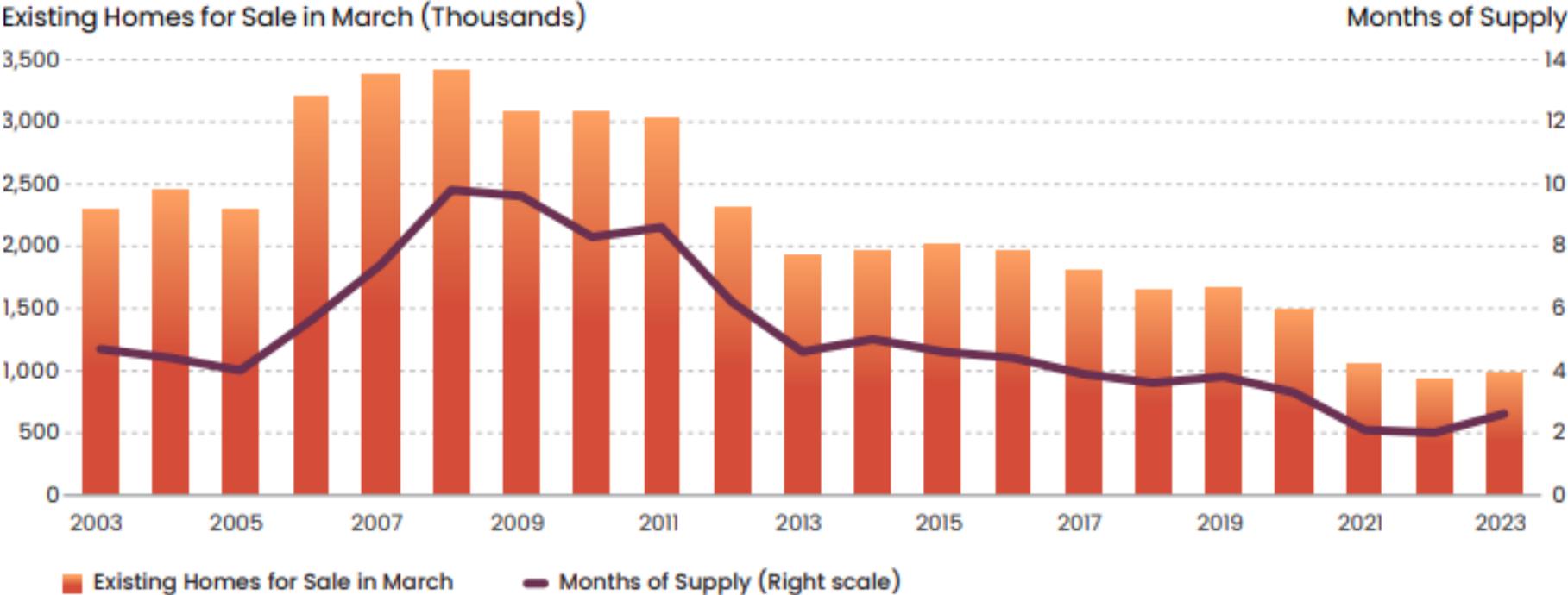
Pew

Rents Nationally Have Reached an All-Time High in the Past Year

- Half of renters are spending 30% or more of their income on rent
- One-quarter of renters are spending 50% or more of their income on rent
- Both figures have doubled since 1960

U.S. Supply of Homes Near an All-Time Low

Supply of Homes for Sale Remained Near Record Lows in Early 2023

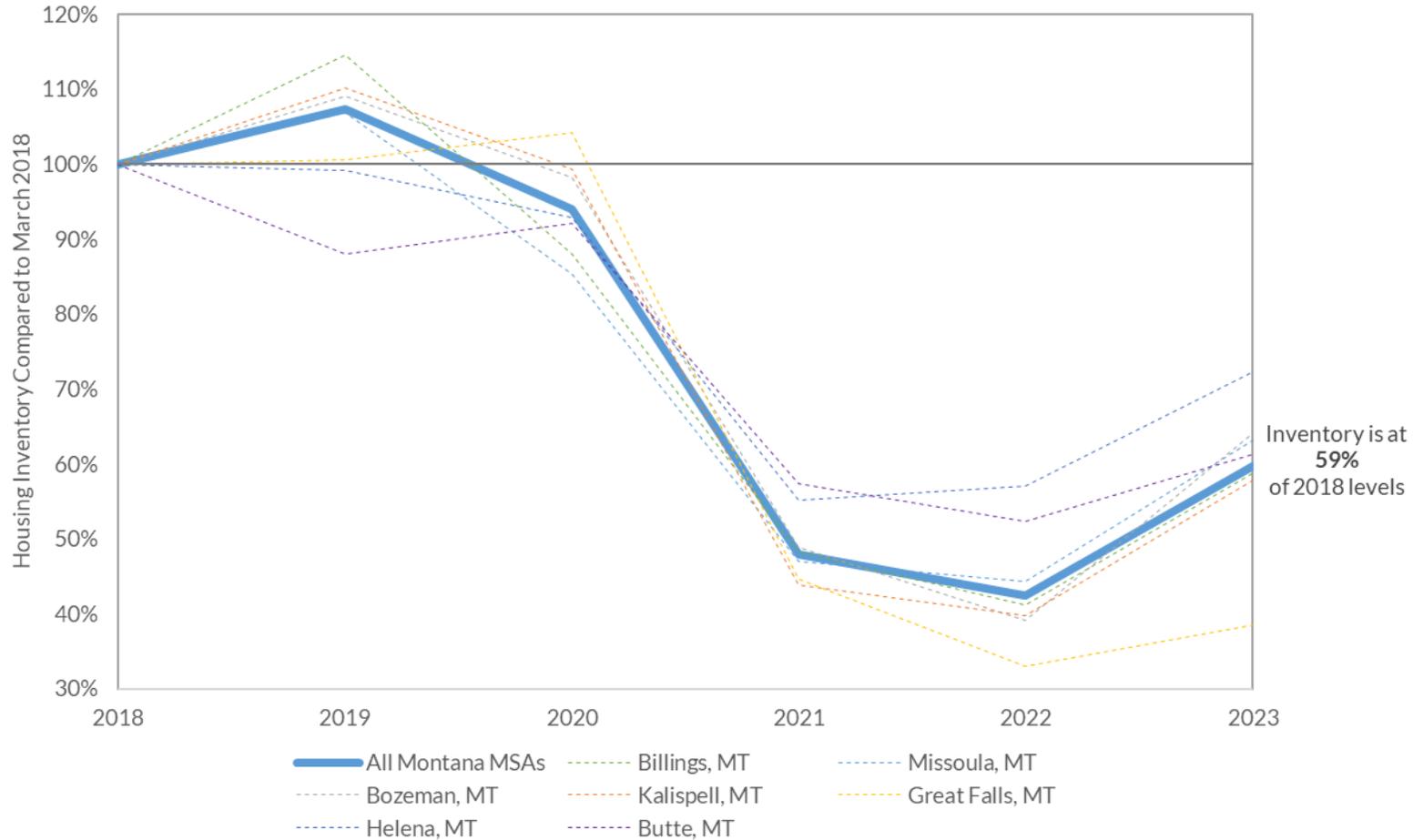


Notes: Months of supply measures how long it would take homes on the market to sell at the current rate. Six months is typically considered a balanced market. Source: JCHS tabulations of NAR, Existing Home Sales

Montana's Stock of Available Homes Remains Low

Housing Inventory Remains Lower Today Than it Was in 2018

Percentage change in for-sale housing units compared to March 2018

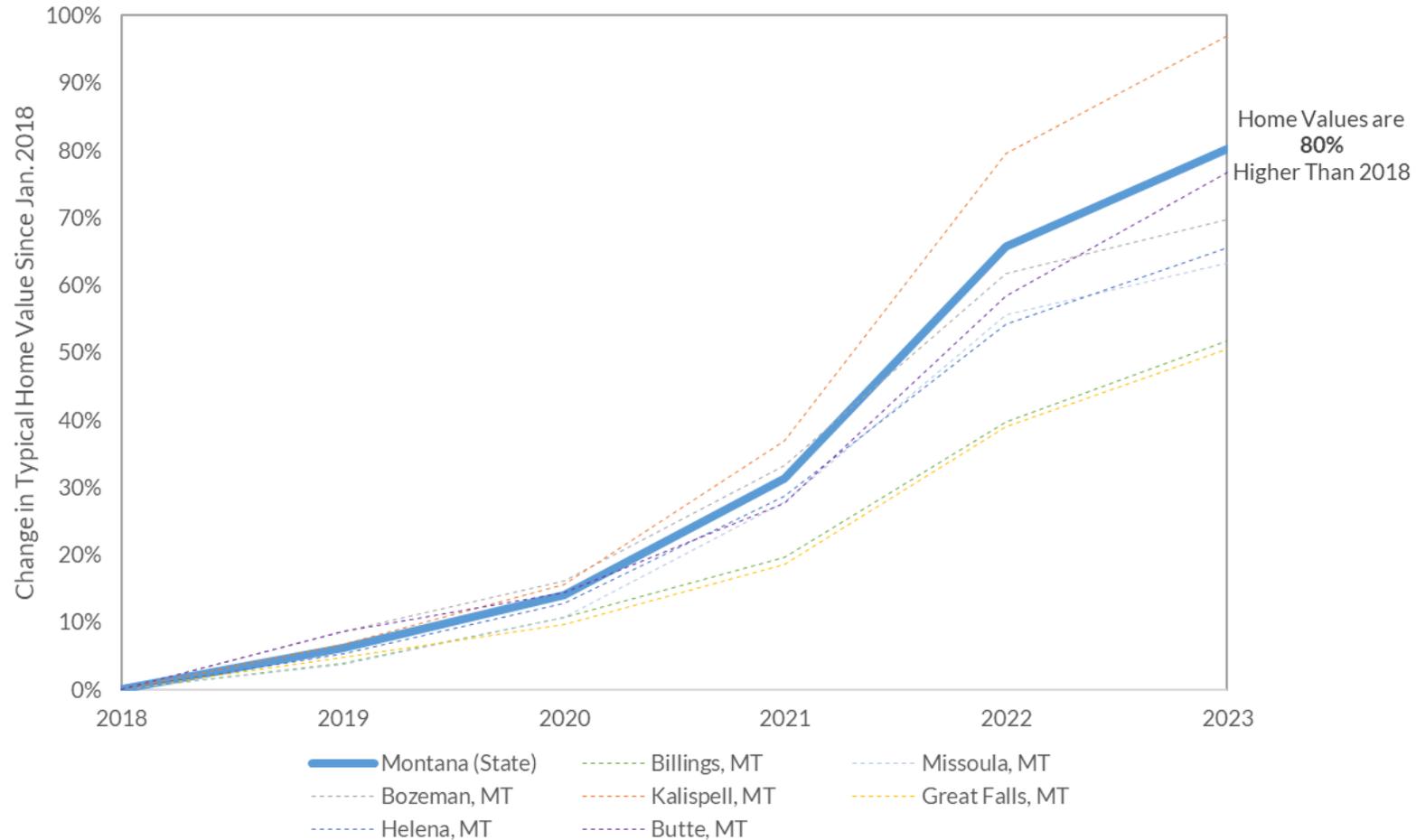


Source: Zillow's for-sale inventory series, smoothed, for all homes.

Housing is Becoming Costlier in Montana

Home Values in Montana are 80% Higher Than Five Years Ago

Percentage change in typical home value compared to January 2018



Source: Zillow Home Value Index (ZHVI), smoothed, seasonally-adjusted, for all homes.

Household Size Keeps Shrinking

- National average household size in 2022: 2.50 (all-time low)
- Montana average household size in 2022: 2.37 (4th-lowest in U.S.)
- 64% of U.S. households have 1 or 2 people (all-time high)
- Shrinking household size and aging of population help explain demand for smaller, low-maintenance homes close to stores, jobs, families, services

Montana's 2023 Housing Bills Earned Acclaim



Zoning reform bills pass Montana House with bipartisan support



Bipartisan Hope for Affordable Housing Emerges in the West



Gianforte signs Missoula lawmaker's zoning bill, slew of other housing bills

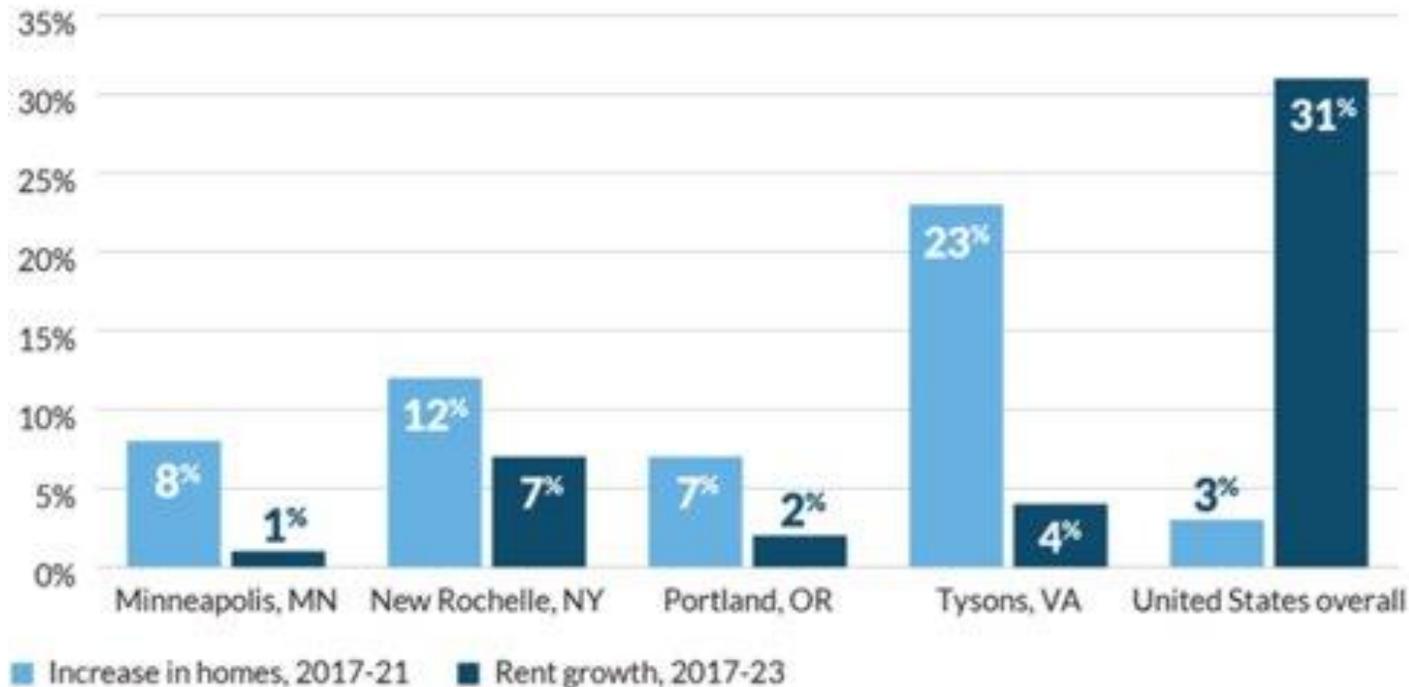
BOZEMAN DAILY
CHRONICLE

Guest column: A banner year for housing reform in the Legislature

New Data Confirms More Supply = Lower Housing Costs

Rent Growth Proves Much Slower Than Nation in Jurisdictions That Have Allowed More Housing

Percentage change in homes, 2017-21, and median rent estimates, February 2017-February 2023



All four jurisdictions added households faster than the U.S. average and saw slower rent growth than the U.S. average

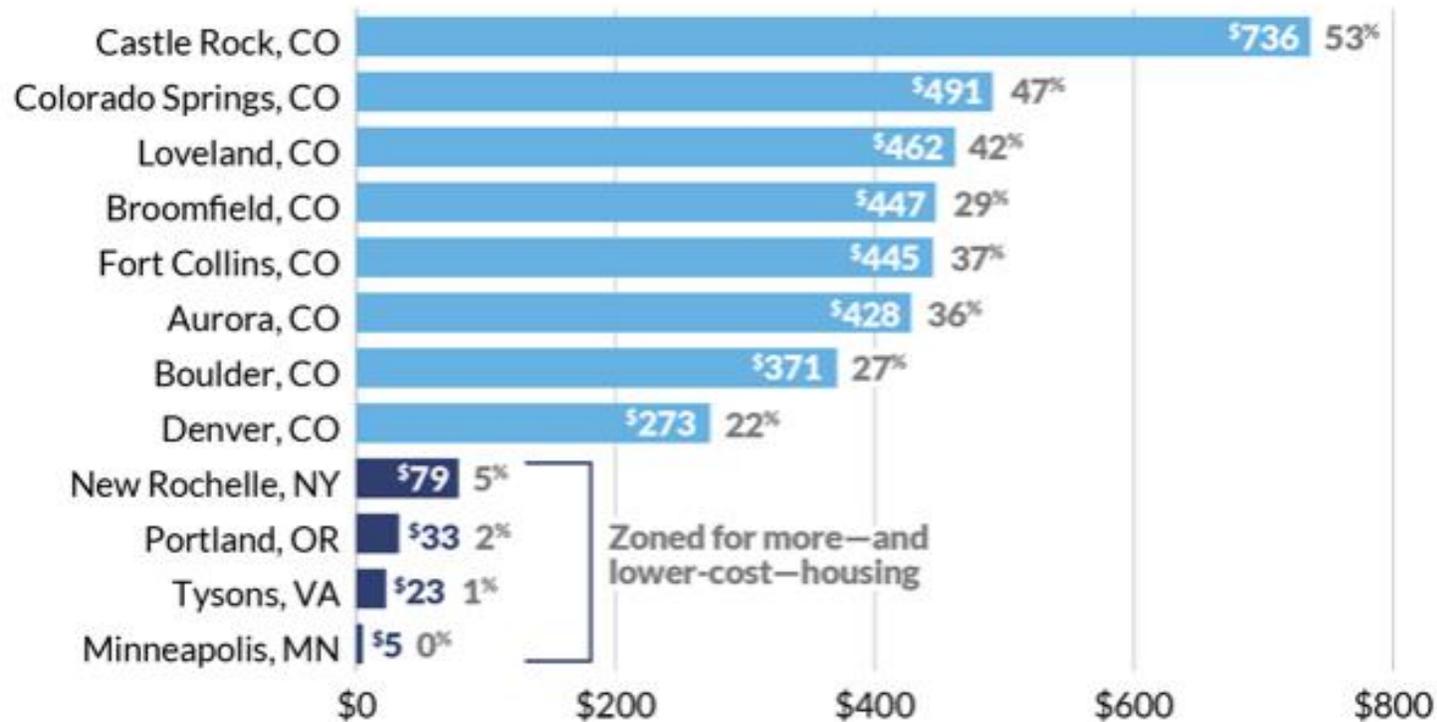
Note: The U.S. Census Bureau's American Community Survey data are one-year estimates, except for Tysons, for which only five-year estimates are available. The time frames are determined by data availability.

Sources: Pew's analysis of housing unit data from the U.S. Census Bureau's American Community Survey and Apartment List Rent Estimate data downloaded on March 22, 2023

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Rents Are Rising Faster in Colorado Than in Jurisdictions That Reformed Zoning

Dollar and percentage increases in median rent estimates, January 2017-January 2023



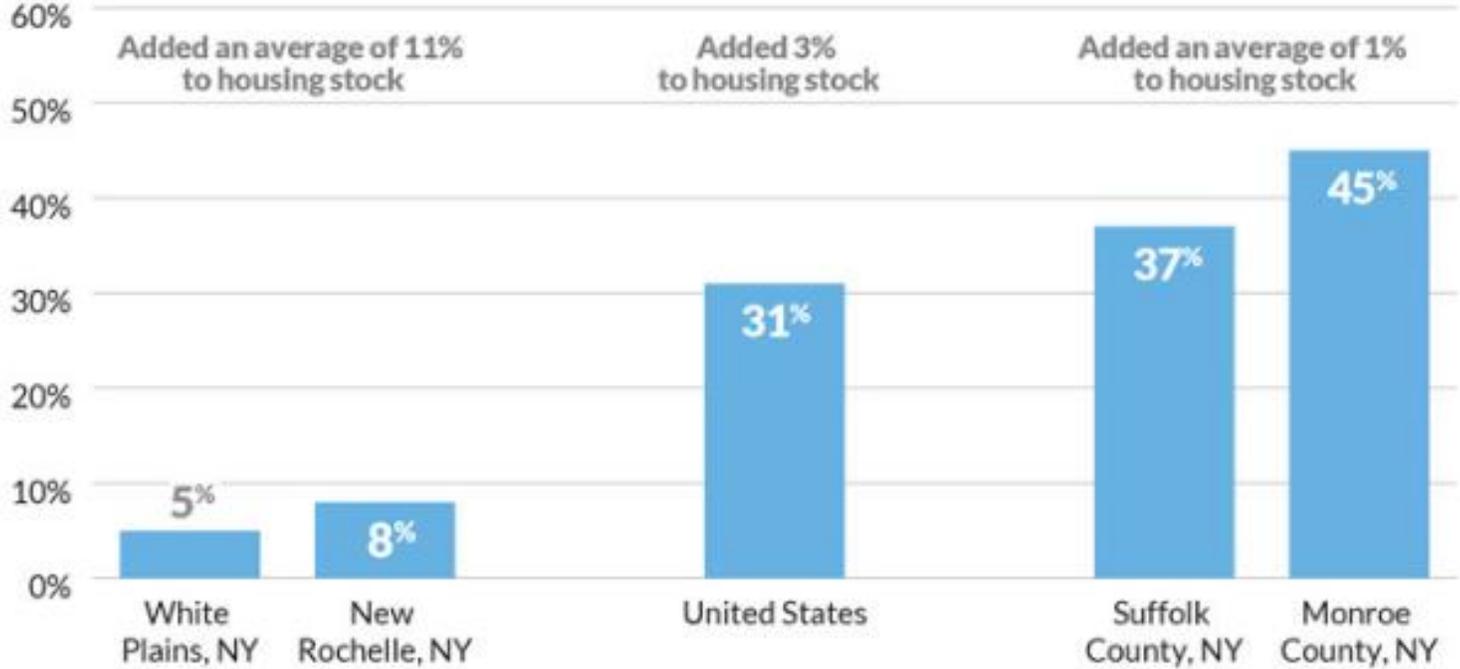
Source: Pew's analysis of Apartment List Rent Estimates [per <https://www.apartmentlist.com/research/category/data-rent-estimates>] data downloaded on March 27, 2023

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Some New York Jurisdictions Added Housing and Kept Rent Growth Low

Rent Growth Is Higher in Areas That Add Less Housing

Growth in median rent between February 2017 and February 2023



Sources: Rent growth comes from Apartment List's Rent Estimate data from Feb. 2017 to Feb. 2023. Data on housing units comes from the 2017 and 2021 American Community Survey (ACS) 1-year population estimates from the U.S. Census Bureau, except for White Plains, where only ACS 5-year population estimate data is available for 2017 and 2021. Downloaded April 25, 2023.

Apartments on Commercial Corridors Drove Success

Apartments Produce the Most Housing Quickly: Allowing apartment buildings near jobs and on commercial corridors has increased housing production and slowed nearby rent growth. Sufficient height was needed for success.

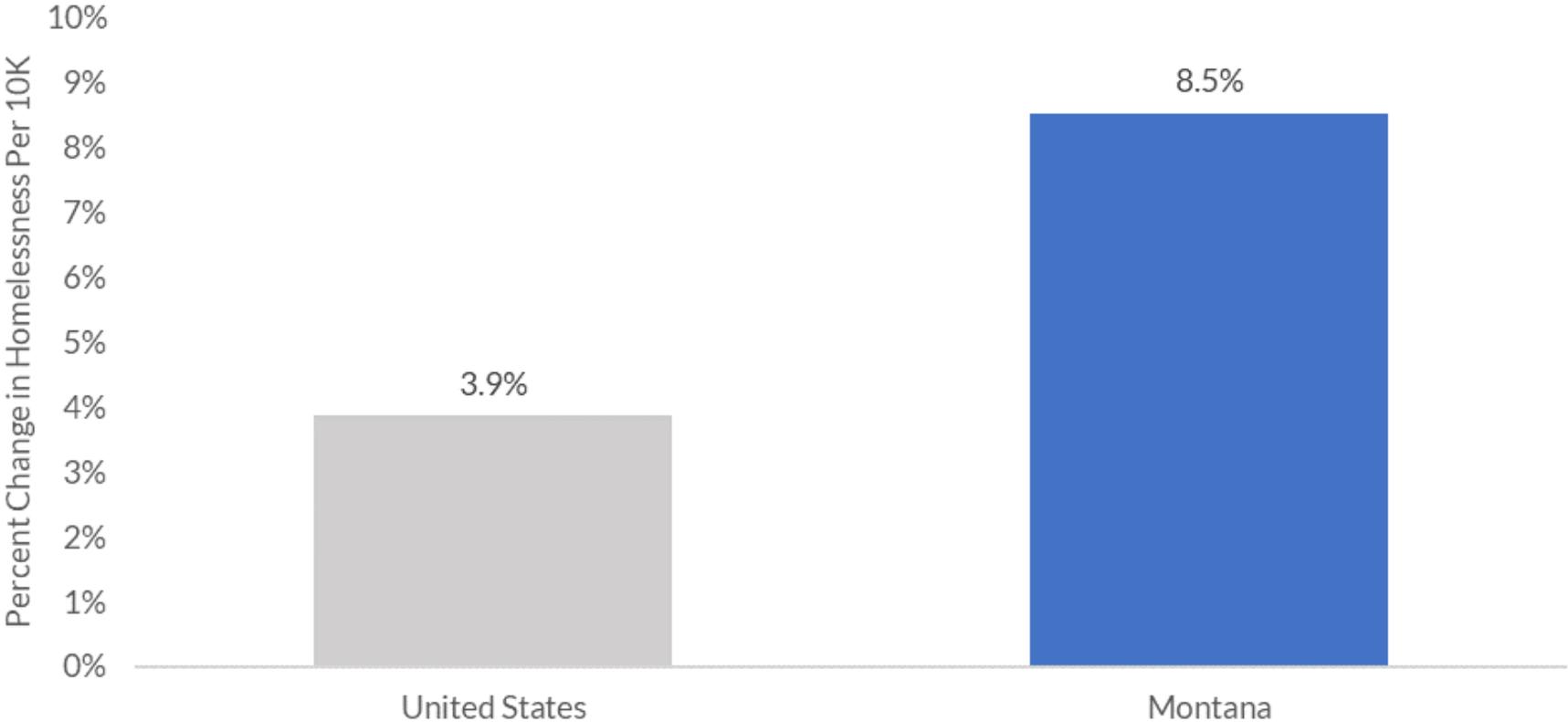
Gentle Density/Missing Middle Solutions Help and Take More Time: Uptake on lot splits and construction of duplexes, triplexes, and fourplexes on single-family lots has been slow but incrementally added to the housing stock over time.

How Housing Costs Drive Homelessness Levels

Homelessness in Montana Has Become More Common

Homelessness is Increasing Faster in Montana than the U.S. as a Whole

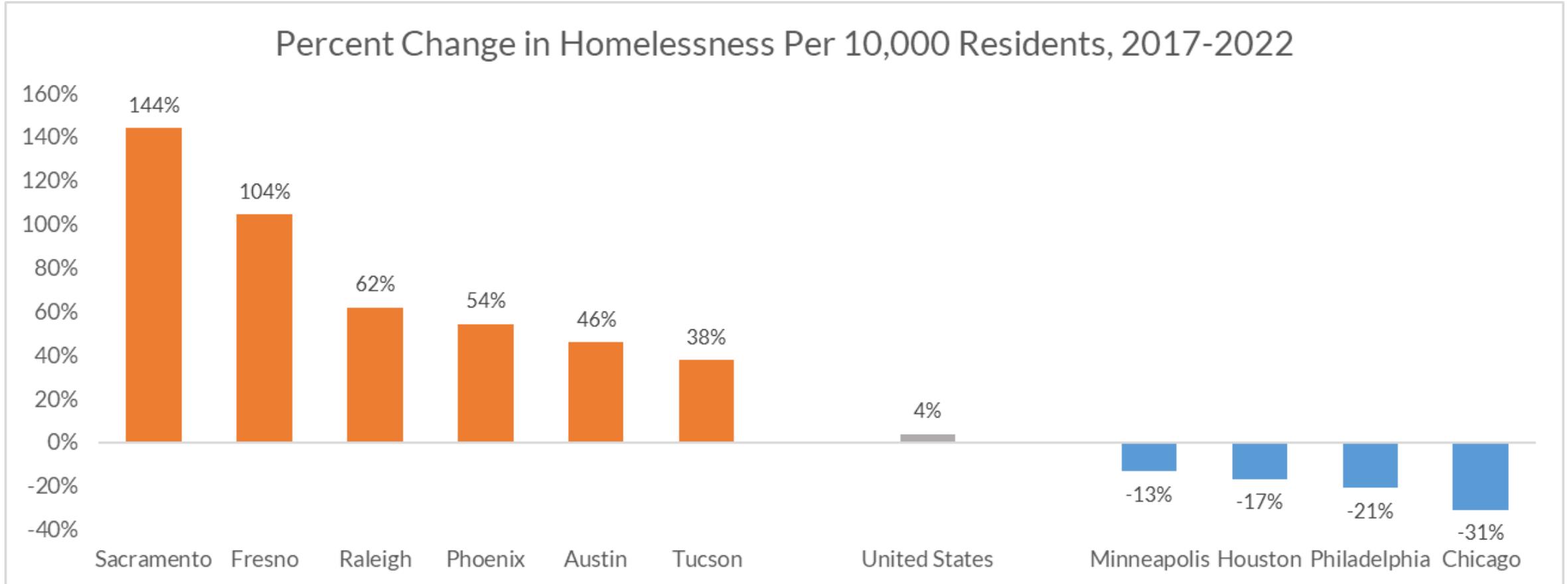
Percent Change in Homelessness Per 10,000 Residents, 2018-2022



Montana
homelessness rate:
14.4 per 10,000

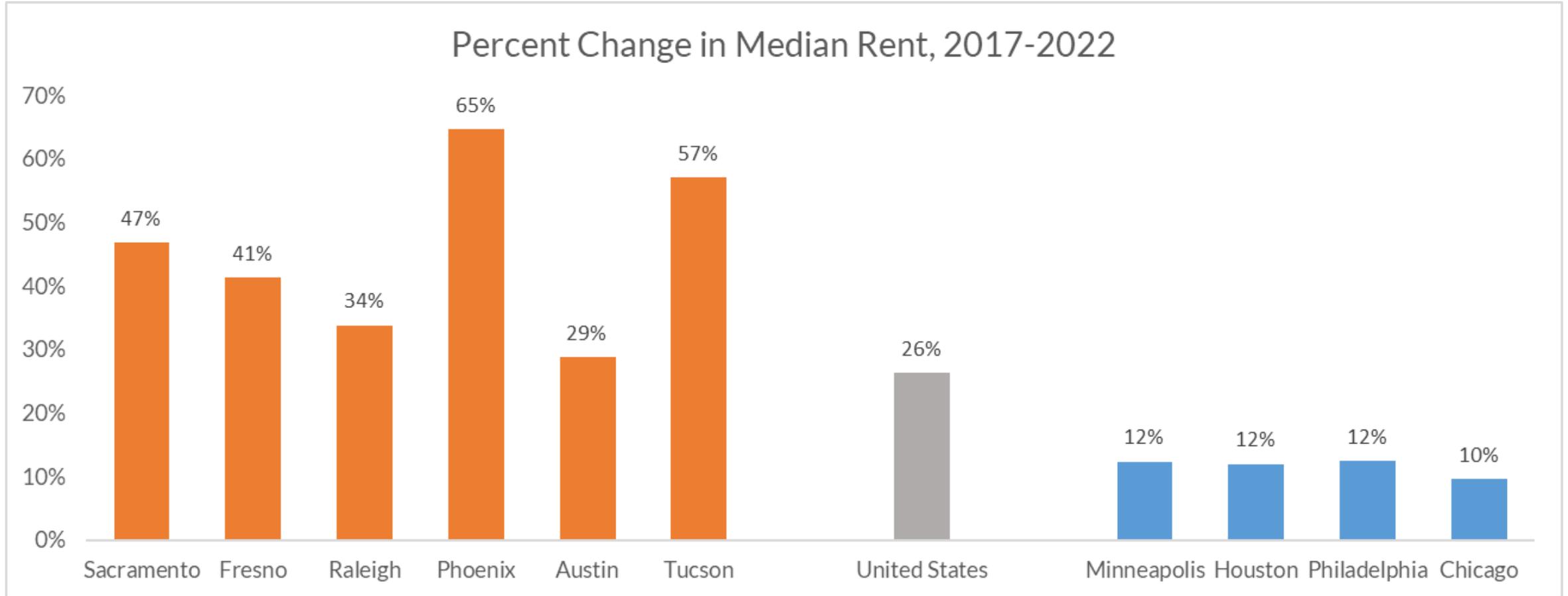
Sources: Department of Housing and Urban Development's Point-in-Time estimates and U.S. Census Bureau's American Community Survey 1-year population estimates.

Homelessness Increased in Areas Where Rents Soared



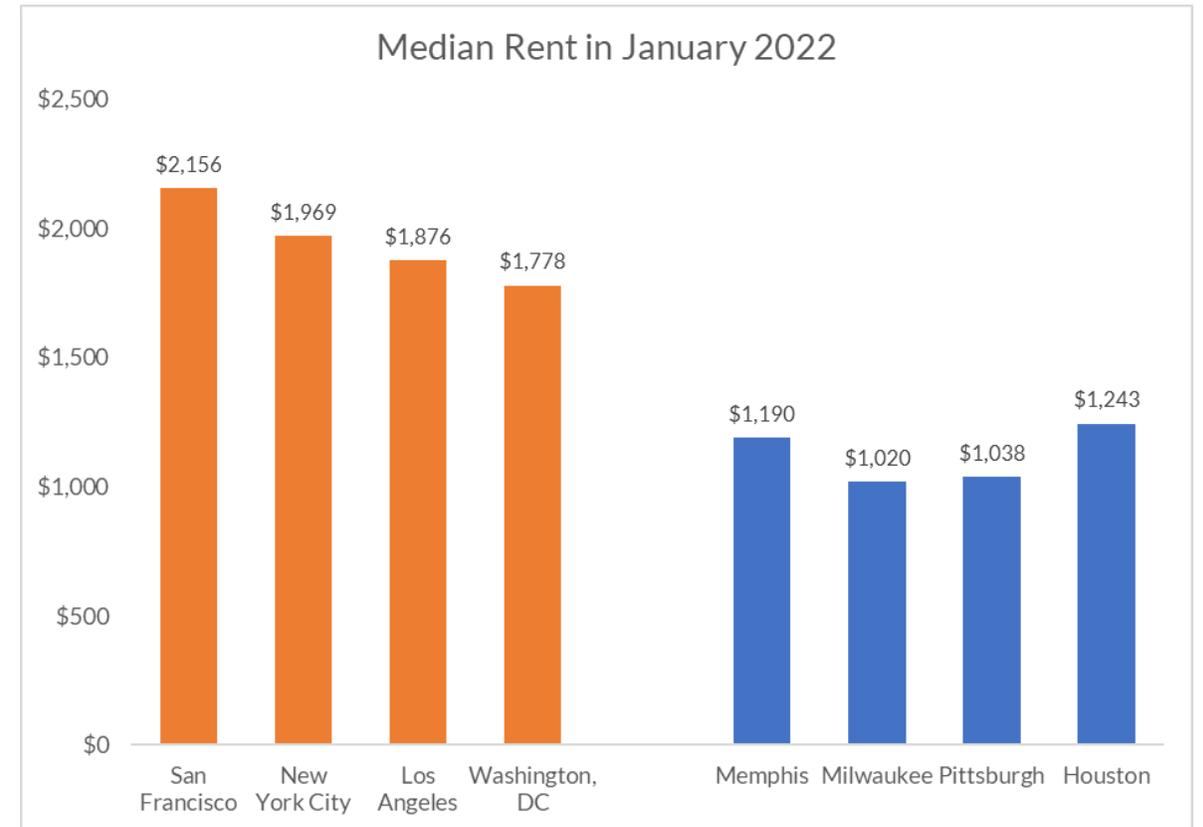
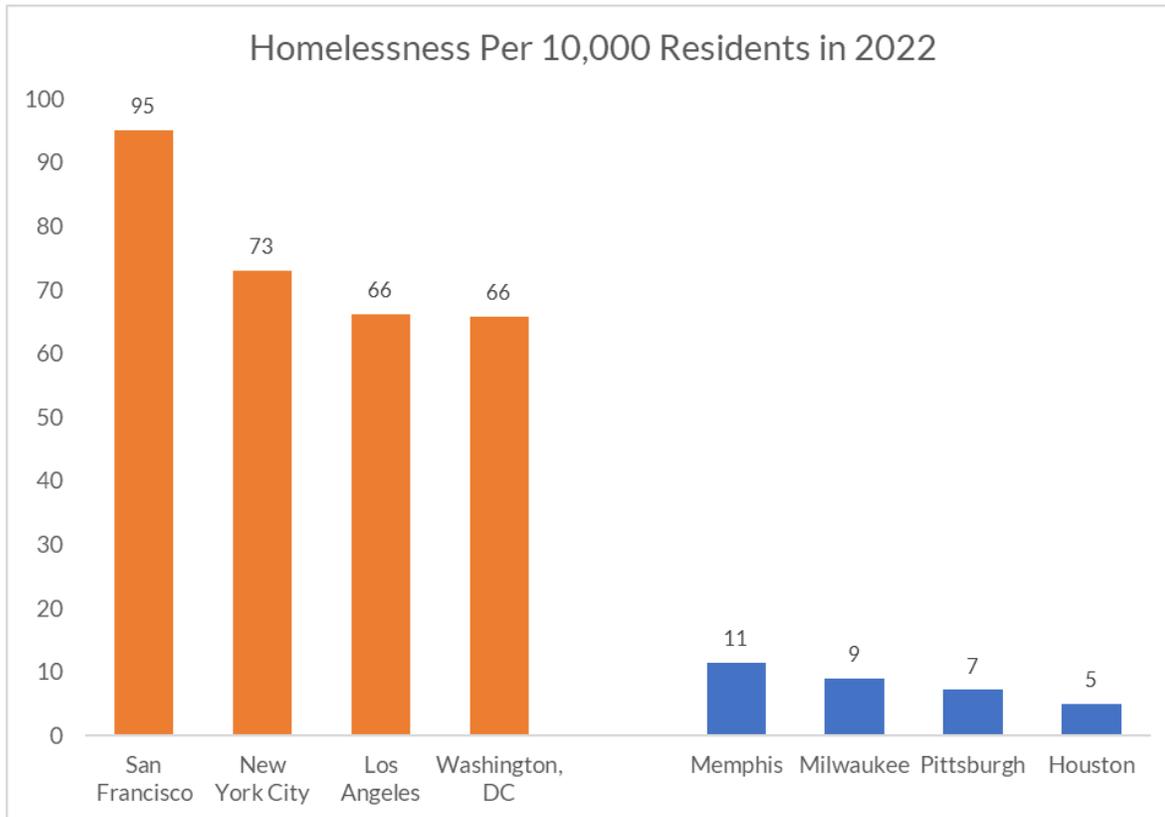
Sources: Homelessness data come from the Department of Housing and Urban Development's Point-in-Time estimates in 2017 and 2022. Population data comes from the 2017 and 2021 American Community Survey (ACS) 1-year population estimates from the U.S. Census Bureau. Rent levels come from Apartment List's Rent Estimate data in January 2017 and January 2022, downloaded on June 15, 2023. The city names listed refer to the Continuum of Care (CoC) covering this city, which are most often the county, but sometimes cover multiple counties (Wake County for Raleigh, Maricopa County for Phoenix, Hennepin County for Minneapolis, etc.). When CoCs cover multiple counties, rent data for the largest county in the CoC was used.

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Sources: Homelessness data come from the Department of Housing and Urban Development's Point-in-Time estimates in 2017 and 2022. Population data comes from the 2017 and 2021 American Community Survey (ACS) 1-year population estimates from the U.S. Census Bureau. Rent levels come from Apartment List's Rent Estimate data in January 2017 and January 2022, downloaded on June 15, 2023. The city names listed refer to the Continuum of Care (CoC) covering this city, which are most often the county, but sometimes cover multiple counties (Wake County for Raleigh, Maricopa County for Phoenix, Hennepin County for Minneapolis, etc.). When CoCs cover multiple counties, rent data for the largest county in the CoC was used.

Homelessness Far More Common in Areas with High Rents



Sources: Homelessness data come from the Department of Housing and Urban Development's Point-in-Time estimates in 2022. Population data comes from the 2021 American Community Survey (ACS) 1-year population estimates from the U.S. Census Bureau. Rent levels come from Apartment List's Rent Estimate data in January 2022, downloaded on June 15, 2023. City names refer to the Continuums of Care (CoCs) covering the city, which are sometimes the county encompassing the city. When a CoC was comprised of multiple counties, rent data for the largest county in the CoC was used.

Minimum Lot Sizes Contribute to High Housing Costs

2021 University of Montana study found minimum lot sizes raise housing costs by forcing buyers to purchase more land than they want

Several additional studies have confirmed this finding

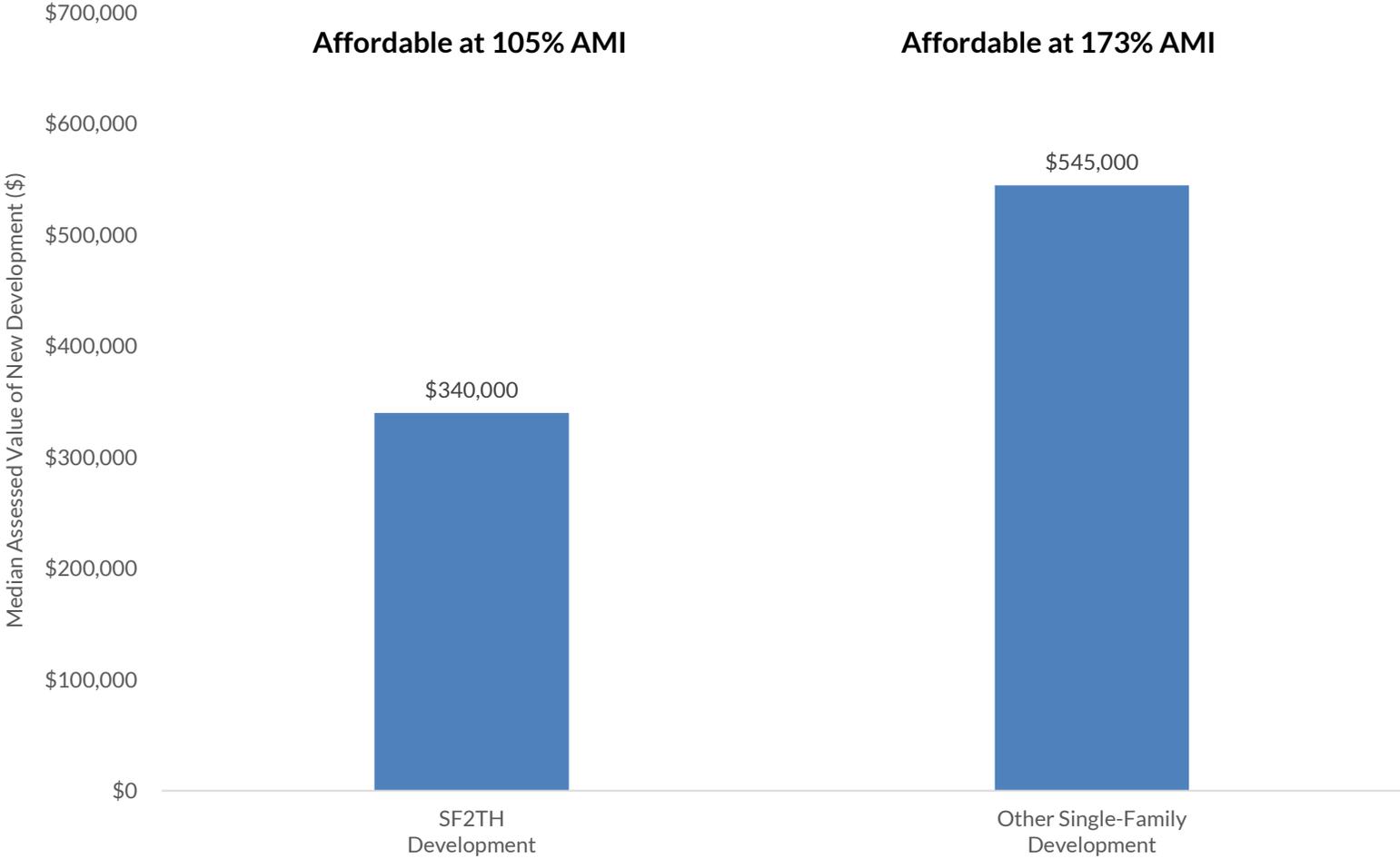
Houston reduced minimum lot size from 5,000 sq. ft. to 1,400 sq. ft. in the city

Result: More than 30,000 townhouses built, about 80% on lots not previously used for housing

Remaining 20% on lots primarily occupied by smaller, older, small single-family homes (about 1 in 200 lots converted after law change)

Typical conversion: 1 detached home (1,348 sq. ft.) --> 4 townhouses (2,483 sq. ft. each)

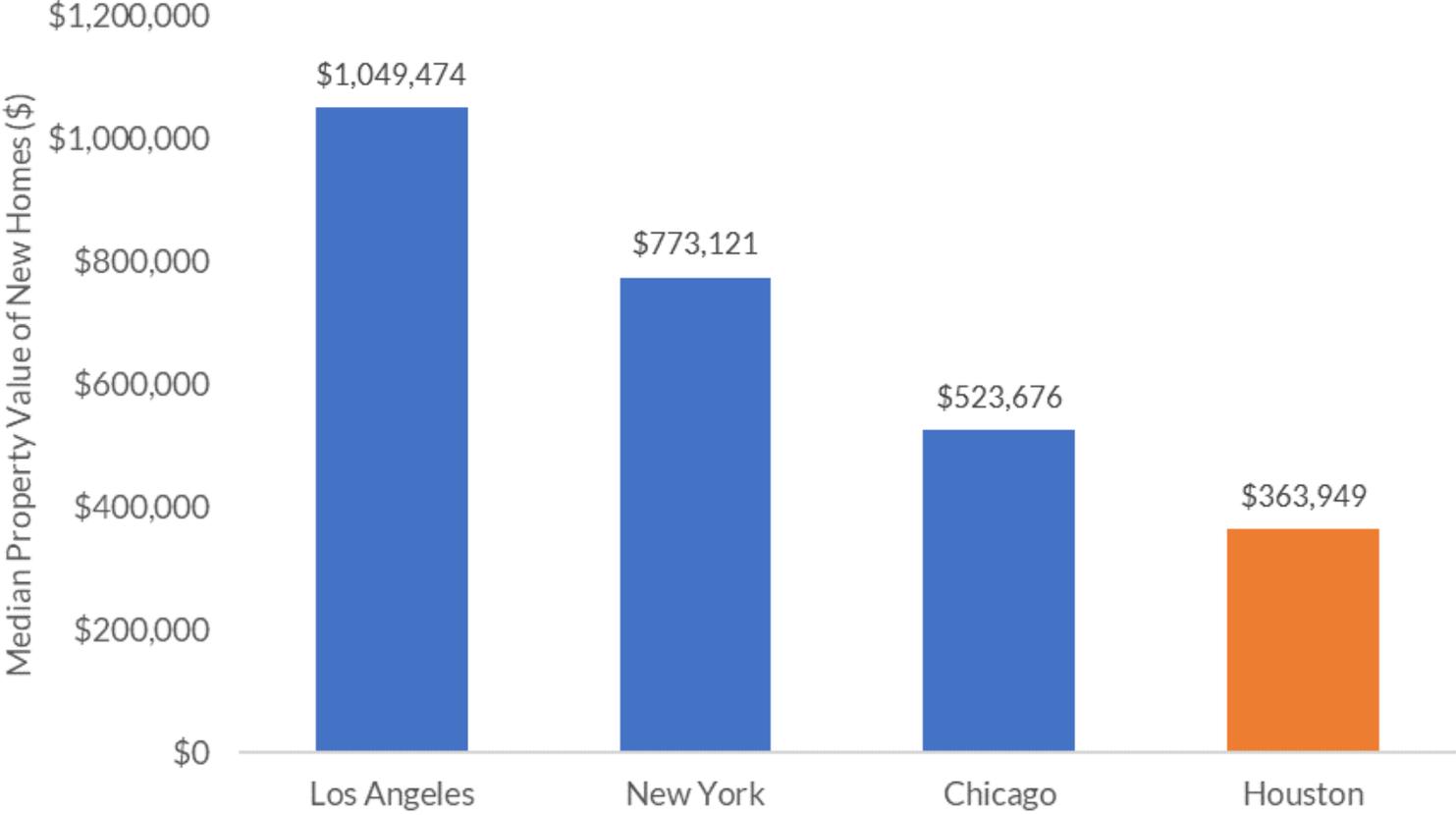
Houston: Townhouses Cost Less Than Other New Houses



Note: Townhouses are those built on lots previously used for single, detached houses

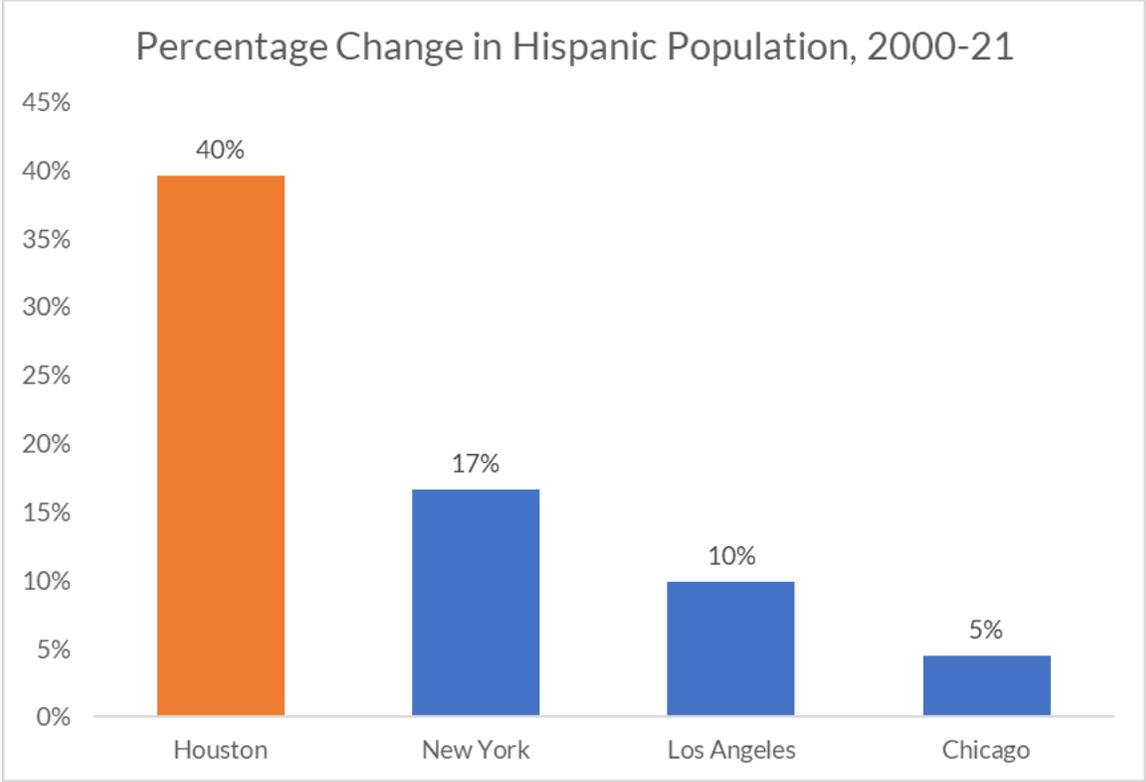
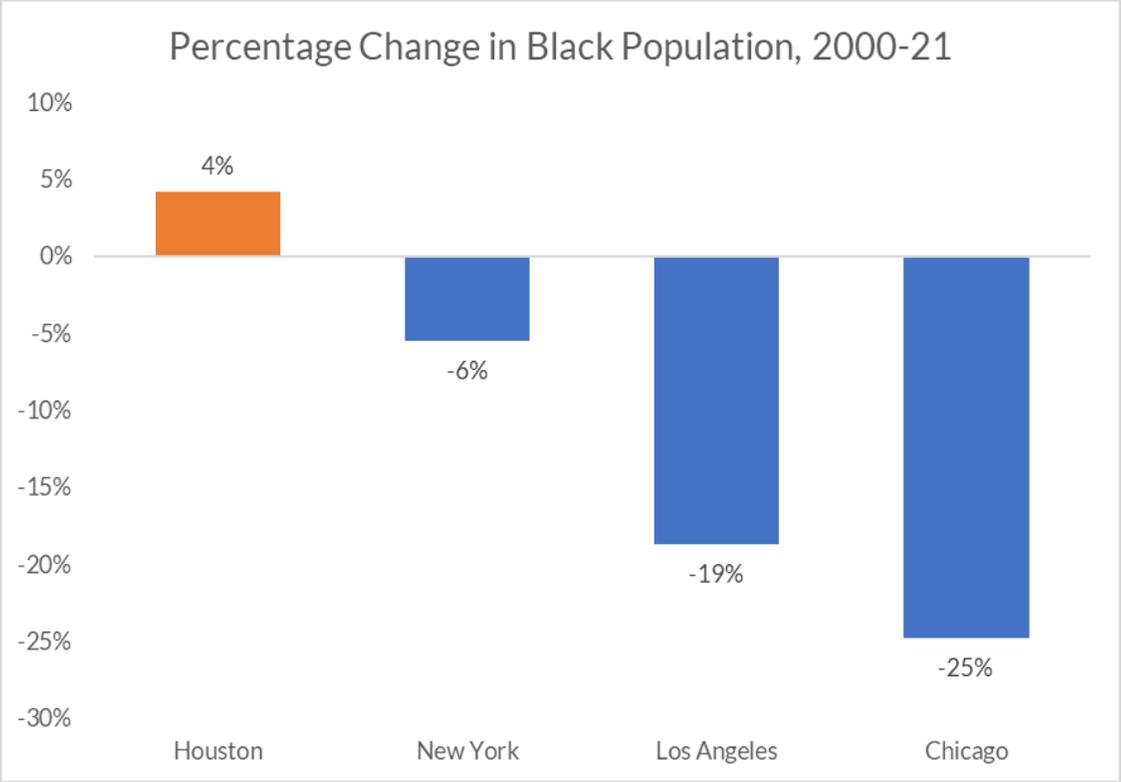
Source: Wegmann, Baqai, and Conrad, Here Come the Tall Skinny Houses: Assessing Single-Family-to-Townhouse Redevelopment in Houston, 2007-2020, https://furmancenter.org/files/Here_Come_the_Tall_Skinny_Houses_508.pdf.

New Housing is Affordable in Houston vs. Other Large Cities



Source: American Community Survey 1-year population estimates for 2000-2021.

Houston Added Black and Hispanic Residents While Adding Housing



Source: American Community Survey 1-year population estimates for 2000 and 2021.

Manufactured Housing's Cost Competitiveness

Manufactured Housing vs. Site-Built Housing

Manufactured Housing		
	Single-Section	Double-Section
Area	1,216 sq. ft.	1,568 sq. ft.
Avg. Total Cost	\$56,956	\$109,852

Site-Built Housing		
	Single-Section Equivalent	Double-Section Equivalent
Area	1,216 sq. ft.	1,568 sq. ft.
Avg. Total Cost	\$161,796	\$183,858

Source: Joint Center for Housing Studies, 2023



Source: <https://www.claytonhomes.com/homes/34FSN28483CH>

Modest Lot Sizes Can Make Low-Cost Manufactured Homes Viable

Land costs are a major driver of housing costs.

Large minimum lot sizes make manufactured housing less affordable.

Monthly payment on a 30-year mortgage for a 1,200 square foot manufactured home (\$56,956) with an 8% interest rate (excluding insurance, taxes, etc.):

Scenario #1:

- Land cost: \$50,000
- Monthly payment: \$785/month

Scenario #2:

- Land cost: \$250,000
- Monthly payment: \$2,252/month

Parking Flexibility

Parking Requirements Have Raised Housing Costs, Especially in Cities

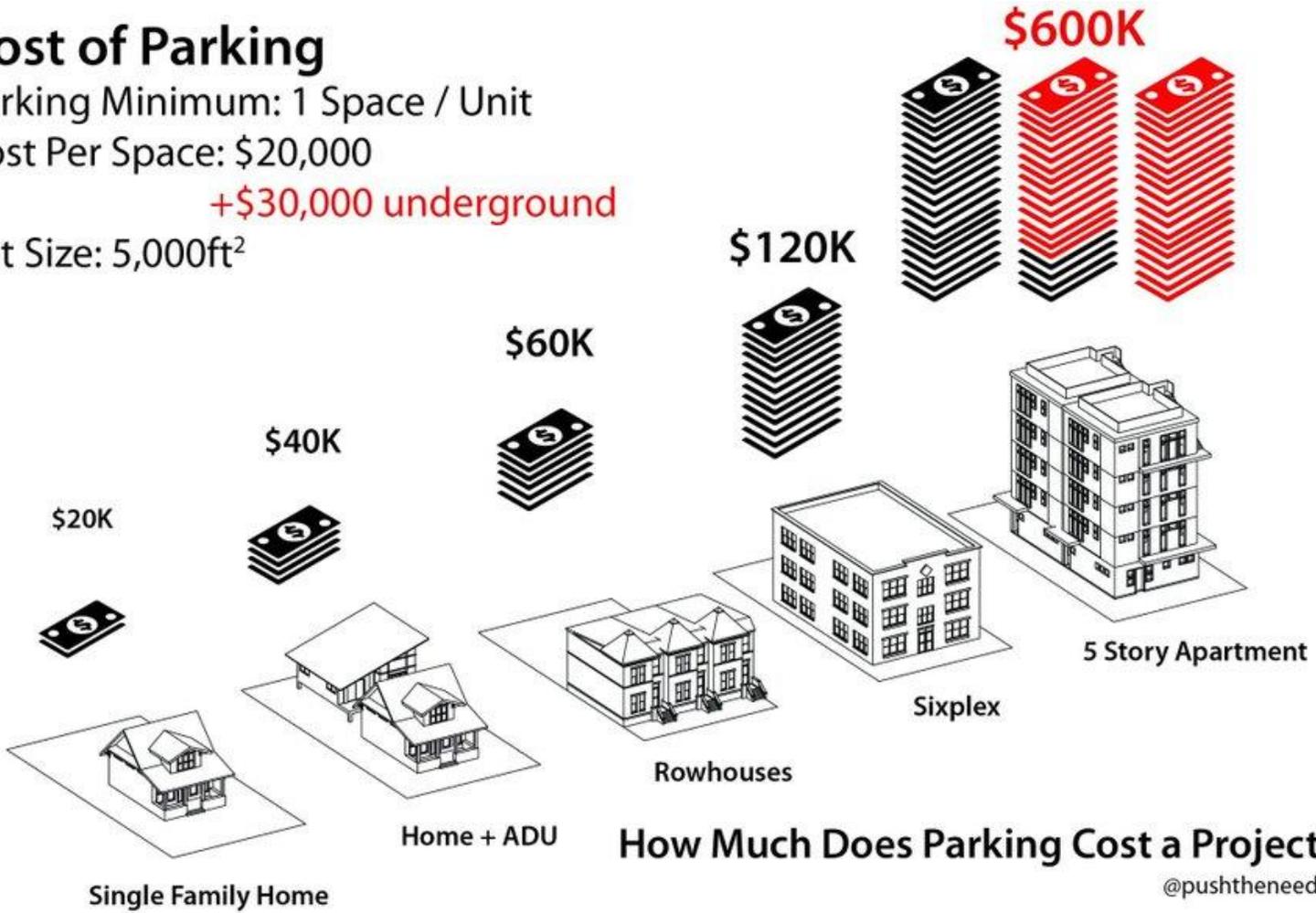
Cost of Parking

Parking Minimum: 1 Space / Unit

Cost Per Space: \$20,000

+\$30,000 underground

Lot Size: 5,000ft²

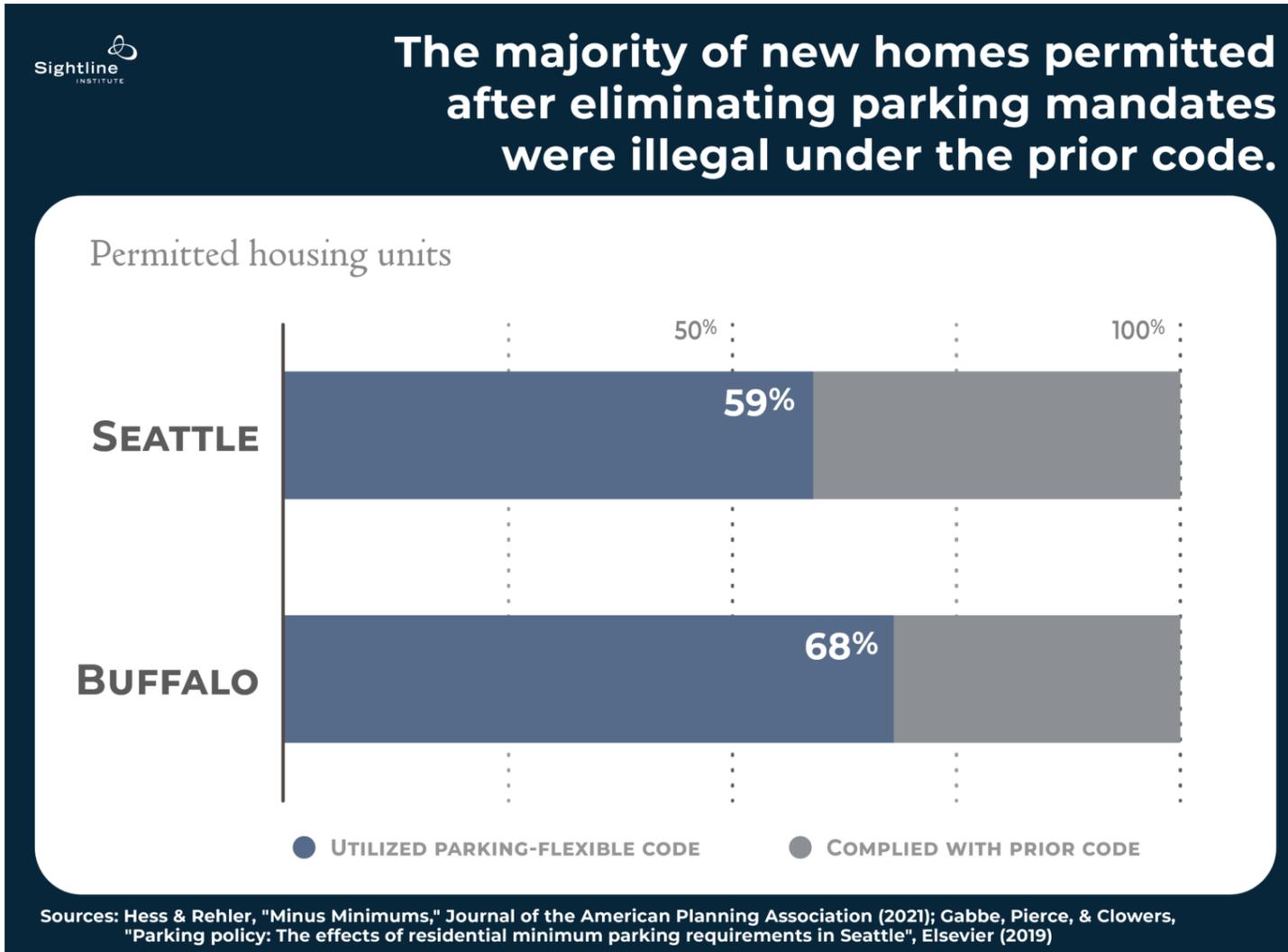


How Much Does Parking Cost a Project?

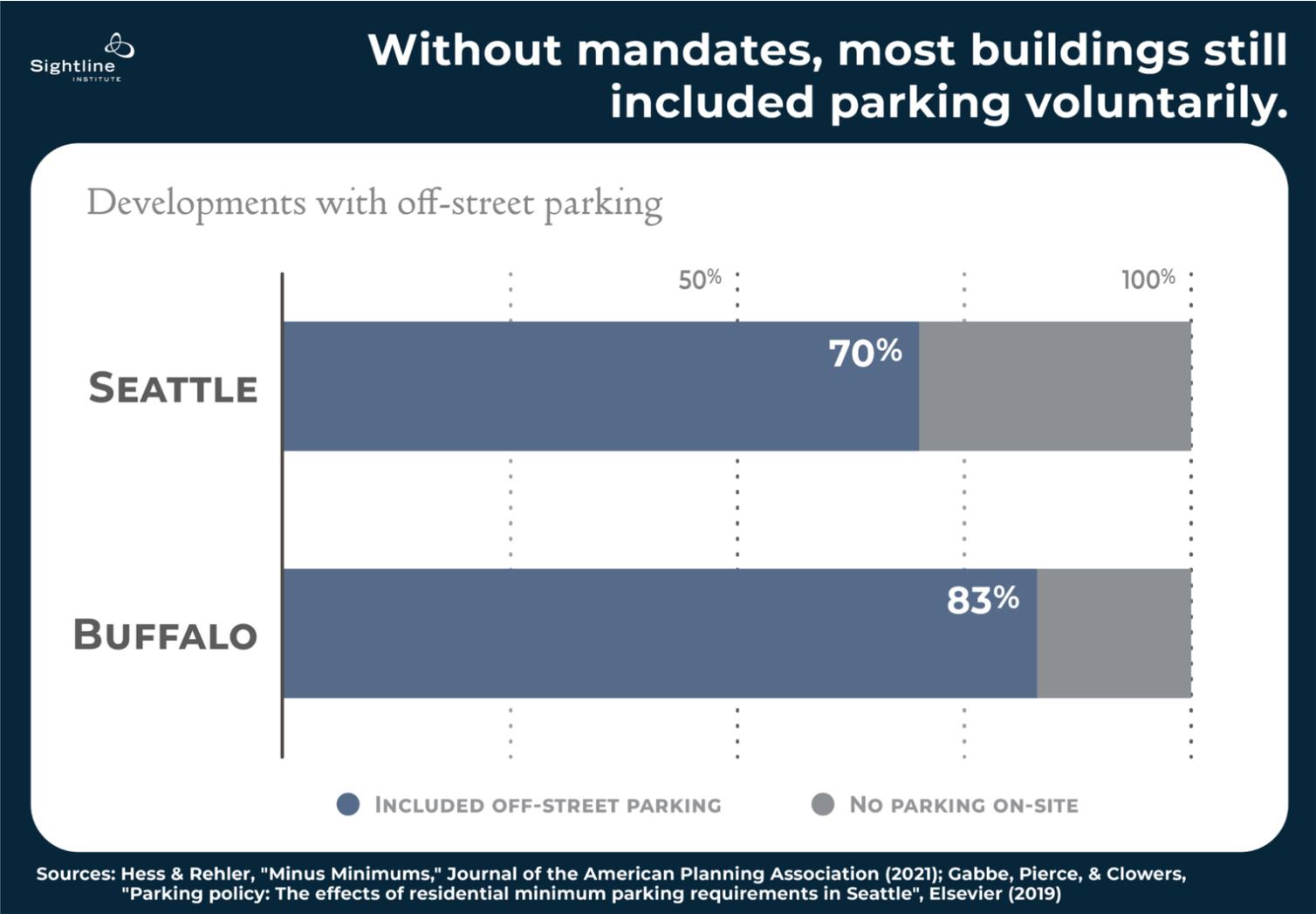
@pushtheneedle

Source: @pushtheneedle, available at: Parking Reform Network, <https://parkingreform.org/2023/02/24/missing-middle-housing-and-the-parking-problem/>

Increased Parking Flexibility Has Improved Housing Supply, Affordability



Most Housing Includes Some Off-Street Parking, Even When Optional



2023 Legislative Session Put Montana On Track for Improved Housing Affordability

- Duplexes
- ADUs and small homes
- Apartments on commercial lots
- Planning for sufficient housing
- Parking flexibility after first spot
- Simplifying design review and permitting

www.pewtrusts.org

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